

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM
HB 348 – SB 530**

May 28, 2009

SUMMARY OF AMENDMENT (006675): Deletes the language of the original bill. Authorizes the Commissioner of Revenue to exchange tobacco tax stamps purchased from the Commissioner or Commissioner's agent for tobacco products that cannot be returned to the manufacturer for a refund or for exchange for other tobacco products.

FISCAL IMPACT OF ORIGINAL BILL:

(CORRECTED)

State Revenue – Net Impact – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On April 27, 2009, we issued a fiscal memorandum for this bill as amended indicating a fiscal impact that was *unchanged from the original fiscal note*. At this time, the fiscal impact for the original bill indicated a *decrease to state revenue exceeding \$100,000 per year*. Based on new information received from the Department of Revenue (DOR), the fiscal impact for the original bill was corrected on May 28, 2009 to reflect a *net state revenue impact of not significant*. As a result of this correction, the fiscal impact for this bill as amended has been corrected to indicate the following estimated fiscal impact:

(CORRECTED)

Increase State Expenditures - \$1,000

Assumptions applied to amendment:

- It was originally thought that should this bill pass some tobacco wholesalers and distributors would be granted tax stamp exchanges for certain unsalable products in lieu of having to make subsequent tax stamp purchases for other salable products that would have been

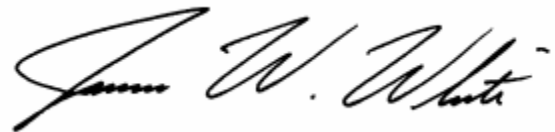
HB 348 – SB 530 (CORRECTED)

necessary otherwise. As a result, a decrease to state revenue exceeding \$100,000 per year was estimated on April 27, 2009.

- With passage of HB1996 on May 26, 2009, and SB2169 (its companion) on May 11, 2009, which requires non-participating manufacturers to post a \$100,000 surety bond to be listed in the tobacco directory to sell products in the state, the DOR has indicated that any negative impact to tobacco tax revenue resulting from tax stamp exchanges is likely to be offset as a result of protections provided by surety bonds. As a result, any net change to state tobacco tax revenue is estimated to be not significant.
- According to DOR, the department would incur costs related to the production of additional tax stamps that would be ultimately issued to wholesalers and distributors as tax stamp exchanges. The increase to state expenditures for production of additional tax stamps is estimated to be \$1,000 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc